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SUBJECT: Argentina: U.S. Mining Company Coeur Inaugurates New Silver Mill in President's Home Province

Reftel: Buenos Aires 190

¶1. (SBU) SUMMARY. On March 19, President Cristina Fernandez de Kirchner inaugurated Idaho-based Coeur d'Alene Mines Corporation's new US\$15 million silver processing mill in Santa Cruz province (where former President Nestor Kirchner was Governor before becoming President in 2003). The new mill adds domestic value to Coeur's mining operations and provides new local employment. The next day, the Ambassador hosted top Coeur officials at his residence. Post also highlighted this inauguration and U.S.-based company success on its website. These events provided Coeur, the GoA, and our Embassy an opportunity to highlight Coeur's successful efforts to bring economic development, technology transfer and good corporate social responsibility practices to an isolated Patagonian community. A beneficiary of the current global minerals boom, Coeur is bringing value-added development to an otherwise remote area of Argentina.
END SUMMARY.

Inauguration

¶2. (U) Also in attendance at the mill inauguration was Coeur CEO and President Dennis E. Wheeler, GOA Minister of Planning Julio De Vido, Secretary of Mining Jorge Mayoral, Secretary of Agriculture Javier

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de Urquiza, Secretary of Energy Daniel Cameron, Santa Cruz Province Governor Daniel Peralta, and EconOff.

¶3. (U) The next day, Ambassador hosted CEO Wheeler and three top Coeur Argentina executives at his residence to congratulate them on the inauguration of their new plant. Post also highlighted this inauguration and U.S.-based company success on its website, and issued a press release which was picked up locally.

Coeur: Global silver player in Argentina

¶4. (SBU) Coeur d'Alene Mines Corporation is one of the world's leading silver and gold producers, and is presently constructing two of the world's largest silver mines - San Bartolome in Bolivia and Palmarejo in Mexico. Coeur also has mining interests in Chile, Nevada, Australia, Alaska and Tanzania.

¶5. (SBU) Coeur purchased what it described as a small "mom and pop" silver mine for US\$2.5 million in Argentina's Patagonia Santa Cruz

province in 2002, an operation they described as "a mess." At the time, Coeur thought the mine only had about eight months of reserves left. But Coeur kept discovering more and higher grade ores, all during an unprecedented global silver price boom. Coeur reports that since 2002, it has invested about US\$25 million in this mine, and another US\$15 million in the new mill, and employs about 210 workers.

¶16. (U) Since 2002, the underground mine has produced over 11.5 million ounces of silver. In the first half of 2007, the mine produced about 1.4 million ounces, and as of June 30, 2007, proven and probable silver reserves totaled 7.6 million ounces - a 25% increase compared to year-end 2006 levels. Coeur expects to see further reserve increases. Coeur reports that this mine's grade of silver is "the best in the world," and is Coeur's most successful mine, with strong annual increases in revenues, output, and employment.

Provincial Government Pressure to Build Processing Mill

¶17. (SBU) As reported reftel, beginning in 2004, Santa Cruz provincial authorities began "pressuring" Coeur to build an on-site mill. Coeur's silver ore was being shipped 420 miles across the border to its Cerro Bayo mine in Chile for refining. Santa Cruz officials pressed to have this value-added refining operation handled locally. Coeur said that although initial company analyses found building the mill hard to justify, and received initial support from GOA and provincial officials, the province "was not interested in our arguments." By late 2006, the province threatened to shut down the mine if Coeur did not act. Coeur executives said that they faced "a very tough situation." At the time, Emboffs discussed this issue with GOA Ministry of Planning Mining Secretary Mayoral to forestall any drastic action, and to give Coeur additional time. Coeur thanked post for the help at a "critical juncture" to get through a "serious crisis." In early 2007, Coeur made the decision to go ahead with the new plant.

¶18. (U) Coeur's new \$15 million, 240-ton-per-day flotation mill was completed and began operations in late 2007, and can annually process up to about three million ounces of silver, which sent its first shipment of concentrate in January 2008. The locally-refined product is now trucked to the Argentine Atlantic port of Puerto Deseado, a two-hour drive.

No Cyanide

¶19. (U) Coeur states that it does not use cyanide to recover silver, while several nearby mines use this method. Instead, Coeur recovers silver the "old fashioned way," by crushing, milling, and via a flotation detergent process, achieving a recuperation level of about 97%, vs. about 98-99% recovery rate using cyanide.

Corporate Social Responsibility Programs

¶110. (U) Coeur is the biggest employer in the 5,000-person town of Gobernador Gregores, about 40 miles from the mine itself. Coeur officials note that they source virtually all their supplies from the surrounding community or Argentina itself. Coeur works closely with the town's schools and government, hosting information fairs and bringing in engineers, geologists, and other professionals to schools. In 2008, Coeur will host a fair on doing business in small towns. Coeur has also begun a housing program for its employees, many of whom are migrant workers from the northern provinces. At its U.S. headquarters, Coeur has also hired a new international CSR director to help with all of its Latin American operations.

Comment

¶11. (SBU) One of almost 500 U.S.-based companies operating in

Argentina, Coeur is contributing to the social, economic and cultural development of its Santa Cruz province mining community. Although clearly a beneficiary of the current global minerals boom, Coeur is also sharing this added value and social development to an otherwise isolated area of Argentina. President Cristina Fernandez de Kirchner built her political career in Santa Cruz province as a provincial legislator and later as a federal senator, and her inauguration of this remote refining plant speaks to her interest in promoting -- and taking credit for -- her administration's contribution to the province's economic development as well.

WAYNE